

# COMMERCE AND INDUSTRY INVENTORY

UPDATE 1995

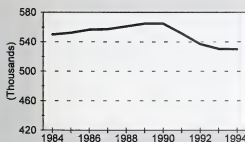
## San Francisco Moving Slowly Out of the Recession

*Small Employment Decline in 1993 and Level Off in 1994*

Recent employment data show some signs of economic recovery from the recession both regionally and in San Francisco. In the Bay Area, the annual average employment fell by about 32,000 jobs 1992 and 1993, from 2,879,000 to 2,847,000 jobs. This was about half of the previous year's decline. For the 1993-1994 period, the regional employment decline was even lower, at about 7,000 or less than 0.5 percent.

San Francisco had an employment decline of about 7,000 jobs from 1992 to 1993. It went from 537,000 to 530,000 jobs. This was about half of the decline of the 1991-1992 period. Preliminary data for 1994 show no net employment decline from 1993 to 1994. In San Francisco, business services, retail stores, multimedia, and small businesses are taking the lead in this employment recovery.

### JOBS IN SAN FRANCISCO 1984-1994



***In 1993, Regional Services and Transportation Employment Grew While Manufacturing, Government, and Finance, Real Estate, and Insurance Declined***

While most industries throughout the San Francisco Bay Area showed a slowing in

employment decline in 1993, a few industries are actually beginning to add jobs, particularly in the East Bay. In 1993, services and transportation activities showed some employment growth at the regional level. Service employment in the region increased by 5,000 jobs to a total of 835,000. About 3,000 of these new service jobs are in the East Bay. Transportation employment increased by 1,000 jobs to 102,000, with most of the growth also located in the East Bay. These small employment increases do not make up for the employment declines in other industries, and the

total regional employment was still declining between 1993 and 1994.

### REGIONAL EMPLOYMENT CHANGE BY INDUSTRIES, 1992-1993

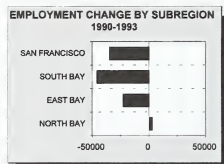


The main reason for the continued regional employment decline is the large number of jobs lost in manufacturing, government, and wholesale trade, especially in the South Bay. Between 1992 and 1993, manufacturing had a decline of about 15,000 jobs, from 454,000 to 439,000, out of which 9,000 were lost in the South Bay. Government jobs declined by about 10,000, from 455,000 to 445,000, affecting all subregions almost equally. Wholesale trade declined by about 6,000 jobs, from 163,000 to 157,000. Half of these jobs were lost in the South Bay.

Finance, insurance, and real estate (FIRE) jobs, one of the largest industries in the region and in San Francisco, have also continued to decline. Between 1992 and 1993, the Bay Area lost 2,000 FIRE jobs. It went from 207,000 to 205,000. Most of these jobs were lost in the North Bay and East Bay subregions.

## Between 1990 and 1993, South Bay Lost Most Jobs, North Bay Only Region to Gain Jobs

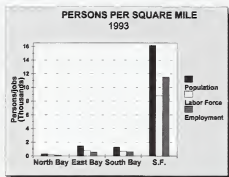
During the 1970s and 1980s the regional population, labor force and employment increased. During the 1990s, the regional population and labor force continued to increase, while employ-



ment declined. Between 1990 and 1993, the regional population increased by 300,000 persons, from 6,024,000 to 6,325,000. Labor force increased by 100,000 persons, from 3,197,000 to 3,300,000. At the same time, total employment declined by 100,000 jobs, from 2,947,000 to 2,847,000. During this period, employment in the East Bay declined by 23,000 jobs to 859,000, in San Francisco by 35,000 jobs to 530,000, and in the South Bay by 46,000 jobs to 1,072,000. The North Bay was the only subregion that actually gained jobs, adding about 3,000 new jobs, to a total of 385,000 over this period.

*Employment, Labor Force, and Population Densities in San Francisco Are More Than Ten Times Higher than Bay Area Densities*

San Francisco is the smallest county in terms of land area in the region, but has a much more intense use of its land than any of the other eight counties in the Bay Area (Marin, Sonoma, Napa,



Solano, Contra Costa, Alameda, Santa Clara, San Mateo). The nine-county Bay Area region covers a total of approximately 7,000 square miles. San Francisco covers about 50 square miles and represents less than one percent of the total land area of the region.

Employment density in San Francisco is almost 20 times greater than the regional average. There is an average of 11,500 jobs per square mile in San Francisco, while the rest of the Bay Area has an average of 400 jobs per square mile. The North Bay has 100 jobs per square mile while the East Bay and South Bay both have about 600 jobs per square mile.

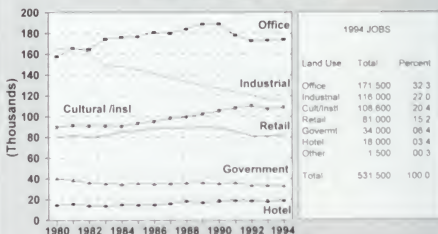
Labor force and resident population densities are also highest in San Francisco. The average labor force density in San Francisco is close to 9,000 persons per square mile while the rest of the region has an average of 500 persons per square mile. The residential density in San Francisco shows an average of slightly more than 16,000 persons per square mile while the rest of the Bay Area shows less than 900 persons.

## SAN FRANCISCO ECONOMIC INDICATORS

*Recession impacts and timing of recovery vary for different land use.*

The Office sector has been the largest provider of employment in San Francisco since the early 1980s. It represents about 175,000 jobs, or one-third of all jobs in the city. It includes business services, finance, insurance, real estate, professional services, legal services, and others. Industrial and Cultural/Institutional activities are the second and third largest categories with about 110,000 jobs in each category, or more than 20 percent of all citywide jobs each. Industrial activities have almost continuously declined since the early 1980s. Cultural/Institutional activities have

## EMPLOYMENT BY LAND USE ACTIVITIES Annual Average, 1980-1994



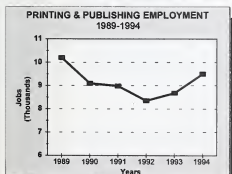
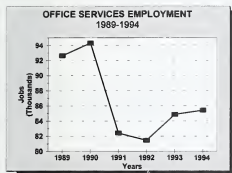
increased at a faster rate than many other activities. Retail activity accounts for more than 80,000 jobs and Hotel for about 18,000 jobs. These two activities are closely associated with the visitor sector and together represent about 19 percent of all jobs in the city.

In San Francisco, each Land Use Activity has shown different periods of employment contraction and recovery through the recession. The employ-

ment decline started in 1990 for Retail activity, in 1991 for Office activity, in 1992 for Hotel activity, in 1993 for Cultural and Institutional activities, while Industrial activity was already losing jobs before the recession started. As of 1993, Office, Retail, and Cultural Institutional activities have begun to recover, showing some small employment growth. However, this increase is still dwarfed by the decline of jobs in other activities.

#### Office Services, Apparel Stores, Retail Services and Repairs, and Printing and Publishing First to Begin Recovery from Recession in San Francisco

There are a few industry groups showing small increases in jobs. These industries, which are leading San Francisco's economic recovery, are found in Office, Retail, and Industrial Activities. After two years of employment decline, Office services (including professional services, such as architectural accounting, engineering as well as business services such as advertising, computer services, etc.) gained almost 4,000 new jobs from 1992 to 1994 although it has not regained 1990 levels. It went from 81,500 in 1992 to 85,400 in 1994. Retail services and repairs, apparel stores, and printing and publishing, also showed employment growth in 1993, gaining about 400 jobs each. Retail services and repairs, and apparel stores made similar gains in 1994. Printing and publishing grew by about 700 jobs between 1992 and 1994, up to 9000.



#### Auto Dealers and Restaurants are Only Retail Businesses with Steady or Increasing Sales

Retail activities in San Francisco represent about 15 percent of all city jobs, 24 percent of gross receipts, and about 28 percent of all businesses. These shares of Retail activity within the San Francisco economy have remained relatively stable over the past ten years.

The number of retail stores as reported by the State Board of Equalization has constantly increased since the early 1980s. Even during the recession, the number of retail stores continued to grow, while their overall volume of sales declined. Between 1990 and 1993, the number of retail stores increased by 2,700 or more than 20 percent. It went from 11,109 to 13,849. However, during the same period, retail sales in San Francisco declined by about 15 percent to \$5.2 billion in 1993. While retail sales in the city were still declining in 1993, this decline was only 4.3 percent, less than half of the 1992 decline of 8.9 percent. In 1994, retail sales increased by about 10 percent, or approximately \$500 million.

Miscellaneous retail, restaurants, general merchandise, and apparel stores represent the largest number of establishments and volume of sales. These categories together comprise close to 13,000 establishments, or 90 percent of all retail establishments, and more than 70 percent of all retail sales.

Auto dealers and auto supply stores, which had one of the largest declines of retail sales in 1991 and 1992, rebounded in 1993 with an increase in sales of more than one-third over the previous year. In 1994, they represented approximately 248 million dollars. Restaurants and drinking places also showed a more stable performance with no decline in sales during 1993. In 1994, this represented approximately 1.1 billion dollars. All other types of stores had a decline in sales that

ranged between 2 and 18 percent. Food and liquor stores had the largest decline in sales of any type of Retail activity during 1993.

### **Apparel and Textile Manufacturing Showed Constant Growth Through Recession**

The Industrial Land Use category, which includes manufacturing, transportation, communications, and wholesale trade, has constantly declined over the past 15 years. However, specific industries within this broad category have shown different growth patterns. Since 1986, apparel and textile manufacturing has shown constant employment growth. Between 1986 and 1993, this industry grew by about 25 percent from 12,000 to 15,000 jobs. Even between 1990 and 1993, employment in this industry increased by about 1,000 jobs. Employ-



ment in food production declined until 1990, but it has grown since then. Wholesale trade has probably shown the largest employment and space decline among all industry groups in the city. Since 1980, it has lost more than 17,000 jobs. It went from 39,700 jobs in 1980 to 22,300 in 1993. During the same time, large warehouses, where wholesale activities take place, have been remodelled for other uses or left vacant, thus any recovery of wholesale trade in San Francisco may be limited by the availability of land and buildings.

## **New Employment Patterns Emerge: Small Business Services Replacing Large Financial Corporations while Multimedia and Telecommunications Remain Stable During the Recession**

Finance jobs, which are mainly located in large businesses housed in high-rise office buildings within the downtown area, began to decline in the late 1980s. This decline continued, at an accelerated rate, throughout the recession. Between 1991 and 1994, approximately 6,000 finance jobs were lost in San Francisco. They went down from 43,800 to 37,800. At the same time, business services, mainly characterized by small businesses and a very diverse set of activities (advertising, reproduction, building maintenance, computer and data processing, research and development, temporary jobs), experienced a very different trend. This industry group



showed a fast pace of employment growth during the 1980s and although it experienced some employment decline during the recession, it began to recover in 1992, before most other industries. Between 1992 and 1994, this group grew by about 4,000 jobs from 49,000 to 53,000.



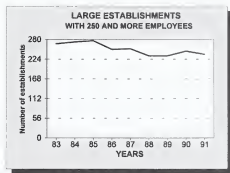
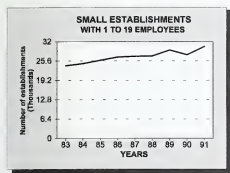
New trends in the multimedia and telecommunication industries are affecting a combination of existing industrial and office activities such as printing and publishing, computer and data processing, communications, advertising, electronics manufacturing, and film production. Most of these industries have remained stable during the recession. Some of these industry groups have added jobs and new businesses over the past three years.

Additionally, the development of multimedia industries is creating an increasing overlap between office and industrial activities. These firms use a variety of types of space, from small offices to large warehouse-studios.

### *Three Fourths of All San Francisco Businesses Have Less than 10 Employees*

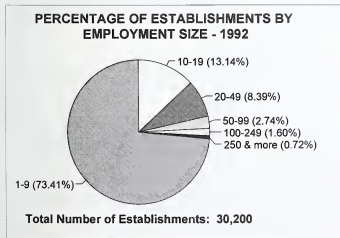
Most businesses in San Francisco are small. As of 1992, out of the 30,000 establishments in San Francisco, more than 22,000, or about 75 percent, were small businesses with less than 10 employees. Only 4,000, or 13 percent, of San Francisco businesses had more than 20 employees, and only 1,500, or 5 percent, had more than 50 employees. This pattern of an increasing number of small establishments has been taking shape since the late 1980s.

Between 1983 and 1991, San Francisco experienced a large increase in small establishments with fewer than 20 employees. The number of these establishments went from 24,000 in 1983, to about 30,000 in 1991, representing an increase of 25 percent. During the same period, large establishments with more than 250 employees, declined by more than 10 percent, from about 270 to 240 establishments. The Financial, South of Market, and Bay View districts have the highest number and share of large establishments among all districts in the city. Small businesses are mainly found in the Financial District, South of Market, South West, and North Central districts.



## Jobs, Business Gross Receipts, and Construction Activity are Concentrated in the Financial District and South of Market District

The Commerce and Industry Inventory defines ten separate Commerce and Industry districts each of which is a cohesive area with similar economic characteristics. These districts follow the boundaries of one or more zip codes since most economic data are reported by zip code. This geographic format is used to provide more detailed information on distribution of jobs, businesses, revenues, and building activity within the city.



The Financial district is characterized by a very high concentration of activities accommodated in high-rise buildings in a small geographic area. Employment density in the Financial District exceeds 160,000 jobs per square mile, almost 20 times the density in the outlying

districts and about 15 times the average citywide employment density. The revenue generation is also very high in the Financial district. More than \$12 billion per square mile are generated in the Financial district, 18 times the citywide average

of \$0.7 billion per square mile. When looking at the revenues generated by office businesses in the Financial district, in comparison with the average citywide, the differences are even greater. The office revenue generation of \$7.5 billion per square mile in the Financial District is 27 times the citywide average. The number of establishments per square mile in the Financial district is 8,400, 13 times the average number of establishments per square mile citywide. In spite of very limited new construction activity in Downtown during recent years, the Financial District still concentrated a very high volume of construction investment in 1993, of about \$120 million per square mile, 11 times the citywide average construction cost of \$11 million per square mile.

The Financial and South of Market districts together concentrate most of the city's economic activity. There are about 300,000 jobs located in these two districts, representing about 60 percent of all jobs in the city. All other districts in the city have much smaller employment shares of less than 10 percent each. The Financial and South of Market districts also concentrate most of the construction activity, establishments, and gross receipts from business activity. About \$214 million of construction activity, including new buildings and remodeling, is concentrated in these two districts. This dollar amount represents about 43 percent of all construction activity citywide. Almost 14,000 businesses, or 45 percent of the total, are located in these districts. Almost \$19 billion, or close to 60 percent of the city's gross business receipts, are generated in these two districts.

No other district accounted for more than 10 percent of total City employment.



*South of Market and North Central  
Districts Absorb Businesses and  
Jobs from Financial Core*

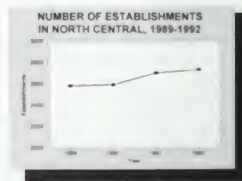
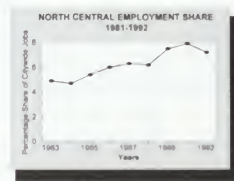
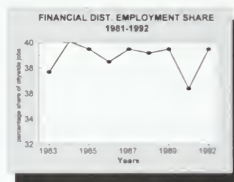
In recent years, the high concentration of economic activities in the Financial District has, at best, remained steady, and more commonly has declined, while the shares of activities in the South of Market and North Central districts have showed some increases. The North Central district covers several mixed-use and residential neighborhoods including the Marina, eastern Pacific Heights, Western Addition, and Haight-Ashbury. Between 1989 and 1992, the Financial District lost about 2,800 businesses, or more than 20 percent of its total. It went from 11,700 to 8,900. While the North Central and South of Market districts have gained about 150 and 250 businesses, respectively. In 1992, North Central had 2,700 establishments and South of Market had 4,700 establishments. These influxes of new businesses represented an increase of about 7 percent for each district.

A similar pattern was observed in terms of employment. Between 1983 and 1992, the South of Market and North Central districts increased their employment share while the Financial district showed a small decline. The North Central district increased from 5 to about 7 percent of all jobs in the city, while South of Market increased from 14 to almost 17 percent of all jobs in the city. The Financial district reached its peak in 1984 when it represented more than 40 percent of all jobs, but since then it has fluctuated between 36 and 40 percent.

*Most San Francisco Neighborhoods Perform Very  
Diverse Economic Activities*

Almost 40 percent of the City's jobs are located in the Financial district (187,000 jobs); almost two-thirds of the jobs in Financial District are office jobs (116,400). Some districts specialize in one predominant activity while other districts have very diverse activities, with no one type of job predominating. In 1993, the North Beach District had about 16,000 jobs or 3 percent of the total employment in the city. Almost half of these jobs were in retail activities, including small stores and restaurants. The North West district also specialized in retail jobs: 46 percent of its 19,000 jobs were in this activity. The Bay View district specializes in Industrial activities. It had about 15,000 jobs or 3 percent of the citywide total, and 57 percent of these were Industrial jobs. The North Central District, home to many schools and hospitals, found 82 percent of its 50,000 jobs in the Cultural/Institutional category.

The remaining districts generally had similar job profiles to that of the City, with a higher proportion of Retail jobs (many of them neighborhood-serving) than the downtown districts, and a much lower proportion of Office jobs.



## Building Permit Applications Up, Value Down

The number of building permit applications filed in 1993 was almost 22,000. This number was higher than in 1992, but was still quite low relative to other previous years. This perhaps indicates the slow beginning of a recovery in construction from the recession. Permits for construction or alterations of Hotel structures showed a significant gain over 1992, and retail permits were up somewhat as well. Permit applications increased the most in the Van Ness and Civic Center districts.

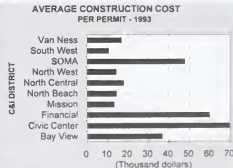
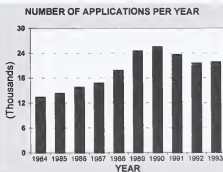
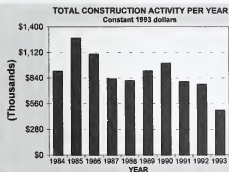
Although the number of building permit applications filed was up in 1993, the total, and therefore the average, construction cost associated with these applications was down significantly over previous years. The total construction cost of the applications filed in 1993 was \$494 million. This total represented a decline of 36 percent compared to 1992. The small increase of applications and larger decline of construction cost reflects the fact that the size and/or complexity of projects is still small and alterations are more prevalent than new construction. Total construction cost for Industrial activities was up by 63 percent, the most of any land use activity, while total cost for Retail activities was down by a similar amount. In the South of Market district, total Industrial construction spending was highest even though the number of Industrial permits was quite low, indicating a very high average cost for Industrial permits in this district. While costs in the Mission District were up significantly, all other districts, except the North West, showed a decline in total costs.

### *Civic Center, Financial District and South of Market District Lead in Average Cost per Permit*

The Civic Center district was first in average construction cost (\$69,000) due to a number of large Hotel, and Cultural/Institutional projects, while the Financial District which had predominantly office construction, fell to second (\$60,000), indicating perhaps a trend towards construction of smaller office facilities than in years past. The South of Market District (SOMA) had the third highest 1993 average cost per permit, with \$48,000. The South West district, with predominantly Residential projects was last of the ten districts in average construction cost with an average of \$10,000 per project.

### *Cultural/Institutional and Retail Permits Uncharacteristically High in South West District*

The predominantly residential South West district (which includes the Sunset, West of Twin Peaks, Parkside, Ingleside, and Excelsior Districts) showed unusually high shares of total citywide permit applications for Cultural/Institutional (28 percent), and Retail (22 percent) activities, compared to 6 percent, and 14 percent, respectively, in 1992.



## 1995 COMMERCE AND INDUSTRY INVENTORY

The Planning Department prepares *Commerce and Industry Inventories*, usually annually, to provide an ongoing time series of data about ongoing economic trends. The *Inventories* follow a consistent framework and use a common set of terms, so as facilitate understanding of the changes that occur in the economic life of the City over time. They detail levels of employment, number of business establishments, distribution of economic activities by district, wages and gross receipts, and construction activity. These data come from a variety of sources, including the United States Bureau of the Census, the California Employment Development Department, the State of California Board of Equalization, the San Francisco Office of the Controller, the San Francisco Department of Building Inspection, and the San Francisco Planning Department. The 1995 *Commerce and Industry Inventory*, which will add data covering 1993 and 1994 to the series, will be issued in late spring 1995. Copies of the *Inventory* will be available from the San Francisco Planning Department. Call 558-6314 to be notified of the issuance of the *Inventory* and other economic publications issued by the Planning Department.

## SAN FRANCISCO MAIN ECONOMIC INDICATORS

	1993	1994	units	1993-1994	CHANGE
				units	percent
Employment	530,307	530,500	jobs	193	0.0
Unemployment	7.2	6.6	percent	-0.6	-8.3
Population	743,606	744,543	persons	937	0.1
Labor Force	403,700	409,100	persons	5,400	1.3
Hotel & Motel Visitors	3.04	3.07	million persons	0.03	1.0
Establishments	36,918	37,400	establishments	482	1.3
Retail Stores	13,849	14,234	stores	385	2.8
Retail Sales	3.4	3.6	billion dollars	0.2	5.9
Wages	19.5	19.6	billion dollars	0.1	0.5
Gross Receipts	33.0	—	billion dollars	—	—
Consumer Price Index	148.3	148.7	percent	2.4	1.6
Building Permits	24,373	22,878	permits	948	4.3
Construction Cost	746.2	757.0	million dollars	162.0	27.2
Property Value	56.5	59.6	billion dollars	3.1	5.5
Downtown Office Space	40.68	40.85	million sq ft	0.17	0.4
Downtown Vacancy	14.1	12.2	percent	-1.9	-13.5
Housing stock	333,138	333,938	units	800	0.2
Airport Passengers	32.0	34.0	million persons	2.0	6.3
Airport Cargo	1.7	1.2	billion lbs.	-0.5	-29.4
Port Cargo	3.167	—	metric rev. ton.	—	—

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